

Message Text

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ORIGIN EUR-12

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DOE-15 SOE-02 AID-05 TRSE-00 L-03 CEA-01 CIAE-00
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DRAFTED BY EUR/CE:ELAUDERDALE :TEXT RECVD FM WHITE HOUSE
APPROVED BY EUR/CE:WMWOESSNER
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-----118000 162246Z /62

O 162113Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L STATE 124625

E.O. 11652: GDS

TAGS:EGEN, ENRG, EAID, EFIN, JA, GW , PPDC

SUBJECT: PRESIDENTIAL LETTER TO SCHMIDT RE FUKUDA VISIT

1. AT WHITE HOUSE REQUEST PLEASE DELIVER FOLLOWING ASAP;
ORIGINAL BEING POUCHED MAY 16 TO BONN.

BEGIN TEXT:"DEAR HELMUT, I HAD PROMISED THAT I WOULD LET
YOU KNOW ABOUT MY DISCUSSIONS WITH PRIME MINISTER FUKUDA
ON ECONOMIC ISSUES AFFECTING THE SUMMIT. WE SPENT ALMOST
FOUR HOURS TOGETHER. HE ALSO MET SEPARATELY WITH MY ECON-
OMIC ADVISERS. THE RESULTS WERE ENCOURAGING.

"TRADE: THE PRIME MINISTER ASSURED ME THAT JAPAN WOULD
IMPROVE ITS MTN TRADE OFFER; HE WANTS TO REACH AGREEMENT ON
ALL THE MAIN MTN ISSUES BY MID-JULY, SO THAT THE SUMMIT CAN
CONFIRM THIS AGREEMENT.

"ENERGY: THE PRIME MINISTER STRESSED THE NEED FOR THE US
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TO LIMIT OIL IMPORTS, AND I ASSURED HIM THAT THIS WOULD BE
DONE. HE PROPOSED A JOINT ENERGY RESOURCES FUND TO EXPLORE
NEW SOURCES OF ENERGY.

"MACRO-ECONOMIC: THE PRIME MINISTER SAID THAT JAPAN'S
ABILITY TO REDUCE ITS EXTERNAL SURPLUS DEPENDED ON
EFFECTIVE US ACTION AGAINST INFLATION; I DESCRIBED THE

MEASURES THAT THE US WAS TAKING TO THIS END. SINCE THEN, I HAVE AGREED WITH CONGRESSIONAL LEADERS ON A SUBSTANTIAL REDUCTION IN OUR REQUESTED TAX CUT AND PROJECTED BUDGET DEFICIT, AND I ASKED MIKE BLUMENTHAL TO ADVISE YOU AND PRIME MINISTER FUKUDA IMMEDIATELY OF THIS ACTION, IN VIEW OF THE INTEREST BOTH OF YOU HAD SHOWN IN OUR ANTI-INFLATIONARY POLICIES.

"PRIME MINISTER FUKUDA SAID THAT JAPAN WOULD TAKE ADDITIONAL STIMULUS ACTION, IF THIS PROVED NECESSARY TO ACHIEVE ITS 7 PER CENT GROWTH TARGET, AND THAT HE WOULD ANNOUNCE AT THE SUMMIT ANY SUCH STIMULUS ACTION. I WELCOMED THIS SINCE IT WILL BE MORE FEASIBLE FOR ME TO TAKE POLITICALLY DIFFICULT DECISIONS ABOUT LIMITING OIL IMPORTS AND CONTROLLING INFLATION IF THESE DECISIONS ARE MATCHED BY OTHER COUNTRIES' COMMITMENTS AT THE SUMMIT IN RESPECT OF GROWTH AND TRADE.

"NORTH-SOUTH: THE PRIME MINISTER STRESSED THE NEED FOR INCREASED AID TO DEVELOPING COUNTRIES AND INDICATED THAT JAPAN'S OBJECTIVE OF DOUBLING AID IN FIVE YEARS WOULD NOW BE ACCOMPLISHED IN THREE YEARS. HE INDICATED THAT NEW OPPORTUNITIES FOR CO-FINANCING PROJECTS WITH THE WORLD BANK WOULD BE EXPLORED BY JAPAN. BOB MCNAMARA HAS DISCUSSED WITH JAPAN OVER ONE BILLION DOLLARS OF IBRD CO-FINANCING AS A USEFUL WAY OF QUICKLY ENLARGING JAPANESE
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AID FOR PROJECTS OF PROVEN MERIT. USHIBA, WHO ACCOMPANIED THE PRIME MINISTER, TOLD US THAT PROSPECTS WERE GOOD FOR A FAVORABLE JAPANESE RESPONSE. I HOPE THAT ANY SUCH PROGRAM CAN BE ANNOUNCED AT THE SUMMIT.

"MONETARY POLICY: THE PRIME MINISTER STRESSED THE NEED FOR A STRONG DOLLAR. I INDICATED THAT AMERICAN ACTION LIMITING INFLATION AND OIL IMPORTS WOULD ADDRESS THE BASIC CAUSES OF THE DOLLAR'S WEAKNESS; I STRESSED MY CONFIDENCE THAT IF THESE BASIC CAUSES COULD BE DEALT WITH, THE DOLLAR'S VALUE WOULD BE MAINTAINED. THE PRIME MINISTER AND I AGREED TO A SYSTEM OF INTENSIFIED JAPANESE-AMERICAN MONETARY CONSULTATIONS.

"IN LIGHT OF THIS MEETING, I AM MORE HOPEFUL ABOUT PROSPECTS FOR JAPANESE COOPERATION IN TRADE, GROWTH, AND AID, AND THUS FOR SUMMIT AGREEMENT ON THE KIND OF ECONOMIC PACKAGE ABOUT WHICH I WROTE YOU SOME WEEKS AGO --

INCLUDING MEASURES TO REDUCE DISPARITIES IN GROWTH AND INFLATION RATES, IMPROVE THE ENERGY SITUATION, INCREASE AID TO LESS DEVELOPED COUNTRIES, AND WIDEN WORLD TRADE.

"I LOOK FORWARD TO DISCUSSING ALL THIS WHEN WE MEET IN
WASHINGTON. SINCERELY, JIMMY CARTER

"HIS EXCELLENCY HELMUT SCHMIDT, CHANCELLOR OF THE FEDERAL
REPUBLIC OF GERMANY, BONN. "END TEXT VANCE

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